

**TOP SECRET**

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Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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3. Italian resentment mounting against exclusion from international councils:

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The US Ambassador to Italy has noted the exclusion of Italy from the list of countries which the British propose to invite to London to discuss joint economic policy toward Yugoslavia. The Ambassador recommends that, in view of mounting Italian resentment against exclusion from international directing councils and the serious domestic political consequences resulting therefrom, it would be wise to include Italy. He also points out that, although Italy is not in a position to furnish assistance to Yugoslavia, her political interest and geographical position are important in carrying out any Yugoslav aid plans.

Comment: The Italians consider Yugoslavia to be an area important to their defense and are therefore favorable to any economic program which would strengthen Yugoslavia. However, since the Italians would be opposed to preferential military aid for the Yugoslavs, Italy will continue to seek representation on any Western policy group dealing with aid to Yugoslavia.

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6. US Embassy Rangoon considers Communist threat to Burma serious:

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US Embassy Rangoon reports that there is no doubt that "positive and effective" Chinese Communist assistance to insurgent Burmese Communists is imminent, if it has not already begun. The Embassy believes this development poses a threat to Burmese security which the government is unable or unwilling to meet, and cites as reasons for its belief (1) the failure of the "dry season" military campaign even to contain insurgent activities, (2) the government's inability to enforce effective border controls, and (3) the refusal of Burmese political leaders to relate Burma's domestic insurgency to international Communist expansionism. In view of these considerations, the Chinese Communists appear to be capable of steadily infiltrating northern Burma and smuggling guerrillas and supplies in sufficient quantities to turn the military tide in favor of the insurgents. The Embassy concludes that such Chinese intervention in Burmese affairs "bids fair to attain Communist objectives in Burma."

Comment: Recent reports clearly indicate that the Chinese Communists intend to assist the Burmese Communists, and that such assistance may already have been made available. Burmese forces are so heavily engaged and dispersed in lower Burma that only a relatively small effort would be necessary to bring most of Burma north of Mandalay under de facto Communist control in a short period of time. These reports also mention plans of the Communists to establish a "liberated area" in the north, from which they intend to mount a political and military offensive against the rest of Burma.

7. French Government continues to play down possibility of Chinese intervention in Indochina:

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In commenting on the recently reported incursion of a Chinese force into the northwest region of Vietnam, the French Foreign Ministry and the Associated States Minister have stated that the French military in Indochina have neither reported any contact with this force nor confirmed that it is Chinese Communist. Furthermore, these French officials believe that if the Chinese Communists

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intended to enter Indochina "in any force," they would probably do so in the Langson area (northeast of Hanoi). Embassy Paris concludes from these observations that the French Foreign Ministry "hopes and expects" that the incident will be passed over as a local matter, and does not plan to make an issue of it.

Comment: US Legation Saigon reported its belief in late March that French policy was to play down any reference to Chinese Communist assistance for the Viet Minh and to ignore the issue of Chinese intervention as long as possible. The same report indicated that De Lattre hoped the improved military situation would make it possible for him to negotiate with the Chinese Communists for cessation of aid to the Viet Minh. Recently the US Consul in Hanoi expressed the conviction that De Lattre would continue his efforts to keep US observers "on the margin of events" from fear of what he considers US "Chinese-baiting" impulses.

#### NEAR EAST

#### 8. Violence in Iranian oil fields assumes graver proportions:

With reference to the recent rioting in the southern oil fields, Iranian Army Chief of Staff Garzan has informed UK Counselor of Embassy Middleton that four brigades of about 400 men each have been rushed to Abadan. However, Middleton estimates that the situation is worsening and that the Iranian security forces are inadequate.

Meanwhile, Embassy London has reported that UK Foreign Secretary Morrison has been even more forthright privately than he was in his House of Commons statement about taking whatever action is necessary to protect UK lives and property in Abadan. The UK is sending the cruiser Gambia from Aden to Bahrein and the two frigates previously at Bahrein are being moved closer to Abadan. The Embassy believes that the UK will not hesitate to employ its warships if there is a complete breakdown of law and order in the oil fields.

9. Reaction of Egyptian officials to UK defense proposals:

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According to US Ambassador Caffery in Cairo, Egyptian Foreign Minister Salaheddin has informed [redacted]

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[redacted] that, while it would be necessary to consult the Egyptian Cabinet regarding the new UK defense proposals presented on 11 April, the proposals were unacceptable to him personally. Meanwhile, the Egyptian Government has imposed a strict censorship over press coverage of the issue, and King Farouk has instructed top government officials to take no action without consulting him. Ambassador Caffery was informed [redacted]

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[redacted] that Egypt's leaders are aware now as never before of the "realities of the international situation" and are determined to avoid, if possible, a clash with the UK; however, they face a difficult problem as to how far they can go with the Egyptian public. [redacted] that, from the standpoint of the Egyptian leaders, no agreement might be preferable to a bad agreement, and that the Anglo-Egyptian discussions might therefore be prolonged indefinitely.

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Comment: Domestic political considerations within Egypt, as well as in the UK, seem to preclude any hope for an Anglo-Egyptian defense agreement for some time to come. The prospect for the immediate future is that both sides may tacitly agree to stalling tactics in order to avoid the repercussions which might result, particularly in Egypt, if a complete breakdown in the talks occurred.

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